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INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE PRIORITY

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RUEHAK/AMEMBASSY ANKARA PRIORITY 4140

RUEHBJ/AMEMBASSY BEIJING PRIORITY 1952

RUEHKO/AMEMBASSY TOKYO PRIORITY 1817

RUEHIT/AMCONSUL ISTANBUL PRIORITY 2388

RUCNDT/USMISSION USUN NEW YORK PRIORITY 0855

RHMFUU/CDR USCENTCOM MACDILL AFB FL PRIORITY

RUEHVEN/USMISSION USOSCE PRIORITY 2763

RUEAIIA/CIA WASHDC PRIORITY

RHEFDIA/DIA WASHDC PRIORITY

RHEHNSC/NSC WASHDC PRIORITY

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TX

SUBJECT: TURKMENISTAN: SCENESETTER FOR THE SEPTEMBER 6-9

SPECIAL ENVOY GRAY/AMBASSADOR MANN VISIT

¶1. (U) Sensitive but unclassified. Not for public Internet.

¶2. (SBU) SUMMARY: Embassy Ashgabat warmly welcomes your visit to Turkmenistan as an important opportunity to advance our bilateral dialogue on energy. President Bush met briefly with President Gurbanguly Berdimuhamedov on April 3 at the NATO Summit in Bucharest. Other high-level U.S. meetings with him were Senator Richard Lugar in January, Energy Secretary Bodman in November 2007, and Secretary Rice in September 2007 during the UNGA in New York. Coordinator for Eurasian Energy Diplomacy Ambassador Steven Mann meets with Berdimuhamedov regularly, most recently with you on June 3-6.

Into the second year of his presidency, Berdimuhamedov is increasingly self-confident and will not hesitate to speak his mind. We believe his instincts are generally right, even if his understanding is elementary and his implementation timelines unrealistically quick. Turkmenistan will gradually bring its standards -- including educational and human rights -- in line with international levels. But he's starting from almost zero with very few on his team who have the experience and capacity to implement the reforms he says he wants. Like many ex-Soviet governments, Turkmenistan relies too heavily on presidential decrees and the power of law-on-paper. The longer-term monumental task will be to change a century of national political psychology, the entrenched bureaucracy, and the culture of rent-seeking. END SUMMARY.

¶3. (SBU) A year and a half into the new era, it is clear Turkmenistan is becoming significantly different from the international bad-joke pariah state it was under former President-for-Life Niyazov. But precisely what Turkmenistan is becoming is still a work in progress. Evidence increasingly suggests it could well one day become a responsible partner for the United States and a normal international player. Berdimuhamedov's fundamental policies have been promising. However, he faces an uphill struggle against political traditions that favor autocratic governance models and a bureaucratic capacity stunted by 15 years of Niyazovian repression and complete egocentrism. The challenge will not be to get new reforms on the books -- Berdimuhamedov is already beginning to do this -- but rather,

to change the attitudes and modi operandi of those officials responsible for implementing the new policies.

DEMOCRACY AND HUMAN RIGHTS

¶4. (SBU) President Berdimuhamedov has made a public commitment to bring Turkmenistan's laws and practices -- including in areas of human rights -- up to international standards. At his order, the country's legal, human rights and legislative bodies are working overtime to rewrite or draft more than 30 laws and codes, including on religion and civic organizations, family, and criminal and criminal procedures codes. The President on April 16 also ordered that the country's constitution -- revised four times since 1992 -- be redrafted in time for a September meeting of the Halk Maslahaty -- the massively large, rubber-stamp People's Council, which is responsible for approving constitutional changes. The first draft, made public in mid-July, offers some good and some shortcomings. Most notably, it calls for the elimination of the Halk Maslahaty, whose powers will in future be split between the president and the Mejlis (Parliament).

¶5. (SBU) In seeking to promote democratic development and strengthened respect for human rights, the Embassy is working with the newly empowered Institute of Democracy and Human Rights, which is one of the government bodies most open to and cooperative with foreign donors. We believe that this body, which has a director who clearly enjoys the trust of the president, can play a significant role. In January, the Ministry of Foreign Affairs agreed to USAID's proposal for

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cooperation with the Institute. Areas for cooperation include information exchange, the provision of legal and technical expertise, and support for increased access to information. The Institute has fully embraced USAID as a valued partner. Together with the Institute, USAID's partner, the International Center for Not-for-Profit Law, has laid out an ambitious plan for cooperation over the next year. Other USAID partners have made or are preparing to make other proposals based on feedback from the Institute.

¶6. (SBU) Although the president is making progress in overhauling Turkmenistan's laws, human rights practices continue to lag behind the president's intentions. RFE/RL reporters continue to experience considerable harassment from security forces, including efforts to disrupt the wedding of one reporter's son. Small evangelical Christian religious groups continue to experience problems with registration, and some unregistered groups have experienced harassment. We have heard reports that some individuals are continuing to experience troubles with traveling abroad, though the government has been willing to reverse travel bans in a limited number of cases where there is a clear U.S. interest.

While Berdimuhamedov last summer released Turkmenistan's former Grand Mufti, imprisoned since 2005 under charges of complicity in the 2002 attack, only a handful of other individuals who were also imprisoned for alleged involvement in the attack have been released. Despite these problems, the number of new cases -- and of individuals coming to the embassy seeking assistance with perceived human rights complaints -- is lower than in previous years.

ENERGY

¶7. (SBU) Turkmenistan has world-class natural gas reserves, but Russia's near monopoly of its energy exports has left Turkmenistan receiving much less than the world price and overly beholden to Russia, although Gazprom has agreed to pay "world price" starting in 2009. (NOTE: Despite this promise, Gazprom and Turkmenistan have yet to agree on precisely what this means and are still negotiating natural gas prices for 2009. END NOTE.) Pipeline diversification, including both a pipeline to China proposed for 2009 and the possibility of resurrecting plans for Trans-Caspian and

Trans-Afghanistan pipelines that would avoid the Russian routes, and construction of high-voltage electricity lines to transport excess energy to Turkmenistan's neighbors, including Afghanistan, would not only enhance Turkmenistan's economic and political sovereignty, but also help fuel new levels of prosperity throughout the region. Berdimuhamedov has told U.S. interlocutors he recognizes the need for more options and has taken the first steps to this end, but he also took the steps needed to increase the volume of gas exports to Russia, signing an agreement (with Russia and Kazakhstan) in Moscow in December 2007 to enlarge and rebuild a non-functioning Soviet-era Caspian littoral pipeline.

(NOTE: While little progress has been publicized on this project, government officials and some foreign oil company officials maintain that plans are on track, with construction to begin in 2009. END NOTE.) He will require encouragement and assistance from the international community if he is to maintain a course of diversification in the face of ongoing Russian efforts to keep Turkmenistan from weaning itself away from Russia.

18. (SBU) Although Turkmenistan and Azerbaijan have made excellent progress over the past year in resolving many of the issues that had troubled their relationship, officials have been broadcasting signals in recent months that -- from Turkmenistan's perspective -- the relationship is still not trouble-free. Fundamentally, Turkmen leaders seem to believe that they have made most of the efforts at rapprochement over the last year, and are looking for signs that the Azeris are

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taking them seriously. It is more important than ever for the United States to continue its constructive role, urging the two sides to work together.

19. (SBU) One of the biggest challenges that Turkmenistan's hydrocarbon sector will have to face, if it is to succeed in pipeline diversification, is the need for increased natural-gas production. Turkmenistan produced a reported 72.3 billion cubic meters (bcm) in 2007, a figure that barely meets its existing domestic needs and export commitments. The president directed that production should increase to 81.5 bcm in 2008. Even larger increases will be needed as/if new pipelines come online. While Turkmenistan has welcomed foreign companies to work its offshore (primarily oil) Caspian blocks, it has up to now largely rejected allowing foreign energy companies to work its onshore gas fields, maintaining that it can handle the drilling itself. But onshore natural gas production offers some tough challenges, including ultra-deep, high-pressure, high-sulphur, sub-salt drilling, which requires special skills and technologies and massive investment. One Western analyst suggested that costs could run as high as \$100 billion over the next five years. No one outside of the Turkmen government believes Turkmenistan has either the skills or the financial resources needed. U.S. policy has been to promote onshore production by major Western oil companies. There has been strong debate within the government about this, and we have watched views evolve to the point that the government has now told a limited number of Western firms that it is willing to begin negotiations for onshore work.

ECONOMY AND FINANCE

110. (SBU) President Berdimuhamedov has stated repeatedly, in many forums, that he wants to develop an international-standard market economy and to promote foreign investment. To those ends, he has placed a new priority over the past eight months on promoting economic and financial reform. Turkmenistan has announced that it will re-denominate its currency in 2009, lopping off three zeros, and has already unified the country's dual exchange rates. The president has stated that some state enterprises will be privatized -- though not in "strategic" sectors like oil and gas, electricity, textiles, construction, transportation, and communications. He has signed a new foreign investment law,

which, among other things, guarantees resident foreign businessmen and their families one-year, multi-entry visas, and approved changes to the tax code. The president divided the overworked Ministry of Economy and Finance into two bodies -- a Ministry of Economy and Development, and a Ministry of Finance, and he has created a Supreme Auditing Chamber with the goal of providing transparency in the budget process. In a notable development, the president also announced that he will abolish the opaque extra-budgetary funds that were prone under his predecessor to misuse and corruption. Finally, the state has slowly begun to raise the price of electricity and price of vehicle fuel. These measures could be part of an early effort to phase out the state's extensive and tremendously expensive subsidies system.

¶11. (SBU) Even though the president has reshaped his bureaucracy, put in place the structures that theoretically should help promote a market economy, and opened Turkmenistan to cooperation with IFIs, the lack of basic understanding and bureaucratic capacity remains an enormous impediment to change. New reforms are being rolled out with inadequate preparation, understanding of their consequences and explanation -- and are leading to increased public dissatisfaction. USAID is working through its contractor, BearingPoint, to implement a new program to increase bureaucratic capacity and to support growth of private business in Turkmenistan. Department of Treasury

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representatives visited Turkmenistan and met with government ministries and financial sector entities in June and July to identify areas where Treasury might play a role in promoting reform, should funding be available.

FOREIGN POLICY

¶12. (SBU) Despite his statements that he plans to continue the "neutrality" policies of his predecessor, Berdimuhamedov has put an unprecedented emphasis on foreign affairs to repair Turkmenistan's international and regional relations and to become a respected player on the international stage. Under the president's leadership, Turkmenistan has reached out to participate actively in regional organizations. He has met with all the leaders in the region, as well as with those of other countries of importance to Turkmenistan. China has a strong and growing commercial presence in Turkmenistan, and continues to court the president through a series of high-level commercial and political visits, including a July 2007 Berdimuhamedov trip to Beijing focused on natural gas and pipeline deals. Presidents Berdimuhamedov and Gul (Turkey) have exchanged visits, but bilateral relations continue to be colored more by the image of Turkey's lucrative trade and construction contracts that are eating up large amounts of money from the national budget. Berdimuhamedov has held positive meetings with high-level leaders of international organizations (including both the UN and the Organization for Security and Cooperation in Europe) and IFIs that have led to productive, cooperative relationships. The UN High Commissioner on Human Rights, Louise Arbour, visited Turkmenistan in May 2007, and the UN Special Rapporteur on Religion will visit in September.

¶13. (SBU) Berdimuhamedov has held positive meetings with high-level U.S. officials and is well-disposed toward the United States. He made his first trip to the United States as president to participate in the UNGA session in September 2007, where he also met with Secretary of State Rice. In November 2007, Secretary of Energy Bodman met with Berdimuhamedov in Ashgabat, and Berdimuhamedov's meeting with President Bush during the April Bucharest NATO summit received extensive and very positive media coverage in Turkmenistan. Berdimuhamedov made his first visit to EU and NATO headquarters in Brussels in November 2007.

SECURITY

¶14. (SBU) The U.S. security relationship with Turkmenistan continues to unfold, with slow but consistent cooperation. Although basing is not an option, Turkmenistan remains an important conduit for the U.S. military to Afghanistan. Maintaining blanket overflight permission and the military refueling operation at Ashgabat Airport remains a key U.S. goal. CENTCOM and Turkmenistan's military maintain an active military-to-military cooperation plan, and CENTCOM and the Nevada National Guard (operating through the State Partnership Program and CENTCOM's military cooperation and counternarcotics programs) have a productive counter-narcotics program that has funded training and completion of two border-crossing stations on the Iranian and Afghan borders. A third border-crossing station is under construction at Farap on the Uzbekistan border, with two more to follow. With the assistance of the Embassy's Export Control and Border-related Security (EXBS) program, the Embassy works to strengthen Turkmenistan's border security and to increase its ability to interdict smuggling of weapons of mass destruction.

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